

**MINUTES OF A PUBLIC MEETING OF THE FINANCE COMMITTEE OF THE
BOARD OF DIRECTORS OF THE REGIONAL TRANSPORTATION AUTHORITY**

The Finance Committee of the Board of Directors of the Regional Transportation Authority met in public session on Thursday, June 22, 2017 at 8:55 a.m., in Suite 1650, 175 West Jackson Blvd., Chicago, Illinois, pursuant to notice.

Committee Chairman Magalis presided.

ROLL CALL

Committee members present (6): Anderson (phone), Coulson, Lewis, Magalis, Melvin, and Troiani

Committee members absent (2): Buchanan and DeWitte

Other Board members present: Durante, Frega, Higgins, Hobson, Ross, and Chairman Dillard

Approval of minutes from the meeting held on May 25, 2017

Director Melvin moved, and Director Lewis seconded that the minutes from the meeting held on May 25, 2017 be approved as submitted. The motion carried on the following roll call vote:

6 Ayes: Directors Anderson, Coulson, Lewis, Melvin, Troiani and Magalis

2 Absent: Directors Buchanan and DeWitte

Report on Monthly Financial Results – April 2017

Ms. Bea Reyna-Hickey provided a summary of the Service Board financial results through April. Ms. Reyna Hickey began by saying that the region continues to be plagued by lower revenue due to lower ridership, a tentative reduction in State funding for reduced fare programs, and weakening sales tax. In light of these revenue shortfalls, the Service Boards have successfully controlled expenses however; it has not been enough to produce a favorable net result for the region.

Regional unemployment decreased to 4.3% in April, on par with the national rate; but this improvement is largely due to the labor force shrinking and not because more jobs were added. RTA system ridership through April was 3.3% unfavorable to budget and 4.9% lower than prior year. System operating revenue was \$10.7 million or 3.0% unfavorable to budget due to the combined effect of unfavorable fare revenue and lower accrual of the State reduced fare reimbursement.

Public funding was unfavorable to budget by 3.9% through April due to slowing sales tax and unfavorable PTF and RETT results. Regional operating expenses were favorable to budget by \$15.5 million or 1.7% year-to-date. The system net result was \$14.0 million unfavorable to budget, as good expense performance did not fully offset unfavorable operating revenue and public funding. The regional recovery ratio of 46.9% was 0.2 percentage points unfavorable to budget, an improvement of 0.4 percentage points from the first quarter results. Metra's recovery ratio was favorable to budget while CTA, Pace, and ADA Paratransit had unfavorable recovery ratio variances.

**APPROVED BY THE FINANCE COMMITTEE
AUGUST 24, 2017**

Ms. Reyna Hickey noted that the only good news is that the regional recovery ratio improved from last month's presentation. However, declining ridership and weak public funding results could produce a funding shortfall in excess of \$50 million by year-end. She continues to meet with the Service Board CFOs to discuss contingency plans to manage through the balance of the year.

Chairman Magalis noted that Ms. Reyna Hickey's report was not good news. He said that with lower ridership and less State funding, if relief is not coming soon the Service Boards will have to make some tough decisions.

Director Lewis asked Ms. Reyna Hickey to confirm that the recovery ratio compliance must be met on an annual basis and that there is a giveback associated with not meeting the mark. Ms. Reyna Hickey confirmed that the RTA Board certifies the results quarterly but the 50% mark must be met annually. She noted that the recovery ratio fluctuates seasonally. If the RTA does not meet the 50% mark, then it would be required to pay the State back the following year once the results are finalized. She joked that at this point the State could just deduct it from its running tab it owes the RTA.

Director Melvin asked for more clarity on sales tax performance. Ms. Reyna Hickey replied that sales tax results are coming in flat to prior year, which is below the consensus 4% growth projection. She noted that the RTA would need to revise down the 2017 base for its 2018 forecast. She stated that PTF and RETT are also not performing well.

Director Melvin followed up and asked if taxes on online purchases are being captured in the RTA sales tax results. Ms. Reyna Hickey said that the Use Tax recaptures some of these sales but that it is self-reported. Internet sales are not taxed unless it is a brick and mortar store. Retailers are not required to collect sales tax. This complicated issue would take State and Federal legislation to see collection on all online sales enforced. Leanne added that it is outside the RTA's control.

Director Hobson wanted to get on record that ridership is down, the State is late on paying the RTA, and the RTA is maxing out its borrowing capacity as a result. He wanted the Service Boards to be aware that this is a situation that cannot go unaddressed; contingency plans are necessary. Ms. Reyna Hickey agreed and said that she has had regular meetings with the CFOs to discuss their plans.

Chairman Dillard noted that a bill to extend the RTA's borrowing capacity would be sent to the Governor for approval any day now. He asked Director Hobson to speak with the senator from his district who is on the appropriations committee to emphasize how critical it is that the Governor approves the extension.

Director Higgins stated that the Service Boards need to re-evaluate their ridership projections in an environment of increased competition and a changing workforce.

Semi-Annual Report on Project Management Oversight (PMO)

Ms. Violet Gunka-Gurgul provided a summary of the PMO report that was provided to Board members as part of their briefing. Ms. Gunka-Gurgul stated that the report is designed to make it straightforward for the Board to easily see progress, issues, and risks for transit capital projects in the region. She highlighted that the PMO program includes oversight of all state-funded capital projects and all other projects with budgets of \$10 million or more. The projects in the report are part of prior year's programs as there has not been a capital bill passed in Illinois since 2009. It was noted that the report was completed prior to the latest communication from IDOT regarding the impact on transit capital projects due to the lack of a state budget.

RTA implements the PMO program to fulfill the requirements in the RTA Act to oversee Service Boards' capital programs and expenditures. Violet reported that all projects are on budget. If project delays caused by state funding are excluded, 95% of projects are on schedule. However, uncertainty in state capital funding is causing ten more projects to be behind schedule, making for more than half of the state-funded projects to have fallen behind. Violet also reported that the State of Illinois has notified the RTA and the Service Boards that the overall amount of the State Bond Program is being reduced. As a result, some projects that were previously on hold are being removed from the state bond program and some will proceed with a delay. Violet highlighted that 67% of the projects are without change orders and the total cost of change orders represents less than 1% of the overall budget for the state-funded projects.

Director Melvin asked about the \$10 million change order due to unforeseen conditions. Ms. Gunka-Gurgul replied that the \$10 million is a cumulative total of change orders due to unforeseen conditions for all active state funded projects. These change orders are not unusual for large projects and are typically attributable to issues encountered underground at places like the Wilson and 95th Street stations.

Ordinance authorizing the Quarterly Capital Amendment

Mr. David Spacek presented to the Board an ordinance to amend the 2017-2021 Capital Program. The only changes are for Pace, with no change for CTA and Metra. The total funding increase to the 2017 Capital Program is \$1.24M and is the result of adding \$1.24M CMAQ funds and reallocating \$5.00M of Service Board funds between two projects in the current capital program. The quarterly amendment would allow Pace to reprogram current year Service Board funds from the purchase of new buses to a project that will replace and upgrade Pace's Oracle Business Enterprise Business Suite (EBS) system, and the addition of Congestion Mitigation Air Quality (CMAQ) funds that will be applied to the Randall Road Transit Infrastructure Project.

Director Troiani moved and Director Melvin seconded that the proposed ordinance be recommended to the full Board for approval. The motion carried on the following roll call vote:

6 Ayes: Directors Anderson, Coulson, Lewis, Melvin, Troiani and Magalis

2 Absent: Directors Buchanan and DeWitte

Ordinance authorizing Long-Term Borrowing (2006A Refunding)

Ms. Reyna Hickey requested authorization to issue bonds through a competitive sale that will refund bonds outstanding from the 2006A series. As a result of the refunding, the RTA was expecting a total reduction in debt service of approximately \$25 million. However, the recent Moody's downgrade will likely result in slightly less savings. The RTA expects to close on the bond sale in early August.

Director Magalis noted that the goal of the refunding is to save \$20 million and that the minimum expected savings is \$5 million. He asked if these amounts were net of issuance costs. Ms. Reyna Hickey replied that the savings amounts were net after issuance costs. The issuance costs in 2006 were about \$1.7 million. The bond counsel is Dinsmore and the financial advisor is Sycamore.

Director Lewis asked about the timing of the issuance. Ms. Reyna Hickey explained the RTA must first obtain two ratings. The meetings with the rating agencies are being scheduled during the first half of July and the sale for early August.

Director Lewis moved and Director Melvin seconded that the proposed ordinance be recommended to the full Board for approval. The motion carried on the following roll call vote:

6 Ayes: Directors Anderson, Coulson, Lewis, Melvin, Troiani and Magalis

2 Absent: Directors Buchanan and DeWitte

ADJOURNMENT

There being no further business to come before the meeting of the Finance Committee, Director Troiani moved, and Director Melvin seconded that the meeting adjourn. The motion carried on the following voice vote.

6 Ayes: Directors Anderson, Coulson, Lewis, Melvin, Troiani and Magalis

2 Absent: Directors Buchanan and DeWitte

The meeting ended at 9:25 a.m.

Audrey MacLennan

AUDREY MACLENNAN

Secretary of the Authority